

Week of September 8 to 13

ECONOMY: Oil is not the main cause of inflation

- The impact of the increase in the price of oil-based products on the level of consumer prices is different in the various member countries of the European Community, but it is nowhere near as important as most of us would be inclined to believe.

For the Community as a whole, it is estimated that, in fact, the consumer price index registers an increase of only 1 percent as a consequence of an increase of about 50 percent in the price of imported crude oil. This effect, nevertheless, goes up to 2 percent when all the indirect ramifications are calculated.

It seems therefore that the current inflation we are experiencing is a phenomenon whose causes are probably found inside the Community itself. This is at least what emerges from answers provided by the European Commission recently to questions in the European Parliament.

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This newsheet is published in six languages (English, French, German, Dutch, Italian and Danish) by the Directorate-General for Information of the

Commission of the European Communities,  
Rue de la Loi 200 - 1049 Brussels Belgium  
Tel 736 60 00 - Telex 21877 COMEU B.

Its contents do not necessarily reflect the official views of the Community institutions

Editor Will J. Reckman



TRANSPORTATION: Towards a harmonisation of automobile insurance

The number of vehicles rolling along inside the European Community member countries is constantly expanding. One of the problems arising from this growing traffic density to which the European Community Commission has been obliged to pay some attention is the question of automobile insurance. A few years ago, a Community decision had, in instituting the "green card" system, done away with the need for inspection by Authorities of one member state for all vehicles regularly circulating in another member state.

This had required the extension of risks covered by automobile insurance to the entire Community under the conditions set by each member country concerned. The second pre-condition was the signing of an accord between national insurance agencies. Under this contract, each one committed itself to guaranteeing the payment of damages and interest resulting from an accident occurring in a member state caused by an automobile established in another. This would apply even if the insurance requirements had not been respected.

Now the European Commission is recommending a new proposal to the Council of Ministers which represents an additional step on the road toward the harmonisation of legislation relating to civil liability insurance. It is aimed especially at ensuring that affected third parties are not treated differently depending on the country where the accident takes place and that the coverage of the insured does not vary too much depending on the country he is travelling through.

The Commission's new proposal tends to place the guarantees offered in the different member countries at a level more favourable for the victims. In the absence of unlimited guarantees everywhere, the amount of indemnity offered should never be below about £206,000 per victim nor below £295,000 per accident. Without requiring complete harmonisation, this new Community proposal, which also contains precise provisions concerning the families of the insured, the location of the car's registration and others, will nevertheless permit a convergence of national legislations which up to now have been significantly different. For instance, up to now the United Kingdom was the only Community country where obligatory automobile insurance remained limited to physical injuries.

It is also foreseen that other steps will be taken later toward a closer coordination between European countries concerning everything linked to the problems of automotive traffic.

BUSINESS: A Marriage bureau for odd couples

Marriage bureaus are not just for the lonely or sentimental. There's one in Brussels that's interested in love matches involving plastics or medical equipment.

Instead of arranging marriages in the usual sense of the term, this operation, known as the Business Cooperation Centre, is actually a service of the European Community Commission that seeks to help companies link up with foreign firms with similar interests. This kind of industrial marriage broker, therefore, isn't looking for compatibility of couples in music, sports, children or the colour of their mate's eyes. It's more interested in product lines, markets, balance sheets and throughput.

That's why it winds up matching German and French plastics processing companies or Danish and British computer operations, as in a couple of actual recent cases. These companies and hundreds of others like them have contacted the Centre to look for links with like-minded firms elsewhere in the European Community or perhaps to ask its staff about some special question or problem.

The Centre, which has been in operation for several years now, notes in a report of its 1978-79 activities that its activities as an information clearing house and contact bureau led to some 36 bilateral or sometimes multilateral deals being reported to it during that period. But in addition to just responding to requests for help from companies, the Centre also says that it has begun to concentrate on a number of specific area such as banking, hospital and hotel equipment and overseas export marketing groupings for smaller companies. The latter is one of particular interests in which the Centre has been trying to help provide the administrative and other support to help small and medium-sized firms get over their natural reticence and obstacles to expand their markets beyond their own traditional frontiers.

Another area where the Centre staff sees a growing need for its services is in the three countries which are applying or preparing for membership of the European Community, Greece, Spain and Portugal. This enlargement will create new requirements which will have to be dealt with to prepare the smaller firms in these countries for integration into the economy of the nine-member Community.

ENERGY: Nothing is lost anymore

The need to economise energy remains an absolute necessity. This advice which has been endlessly repeated, seems to have been heard. At least that's what figures indicating that since 1973, the European Community's energy consumption has declined by about 7 to 8 percent per year, the equivalent of about 70 million tonnes of oil, seem to say. Among the measures adopted at the Community level to contribute to this effort is one which has aroused the active interest and participation of industry.

Since June 1978, the European Community Council of Ministers has granted the European Commission the authority to give financial assistance for energy-saving demonstration projects. Primarily involved, are projects designed to achieve reductions in the energy consumption of buildings, to encourage the recuperation of high or low-temperature heat in industry, to develop urban heating and the production of heat and power combined, and to improve the use of energy in transportation and agriculture.

To benefit from this Community assistance, which can vary from 25 percent to 49 percent of the total costs of a project, these must offer realistic chances of commercial use.

Following the first offer made by the European Commission, 53 projects in all the different member countries had been selected and had received this type of financial aid. Some 299 projects were proposed for the second request for applications in September 1979.

The funds available in 1980 from the European Community energy-saving budget amount to about £16.3 million and they will be divided between 61 entries finally retained, some of which are already actively underway. The list of projects selected offers a wide range of ingenious solutions to the problems of conserving energy. A number of processes involve the use of waste energy. For instance there is one plan to use the sewers of Oxford as a source of heat and another that would convert the waste gas released by high blast furnaces and others to make use of the heating properties of paint solvents or to produce electricity or heat from the incineration of household wastes. More and more wastes of all types are being transformed into energy. Some projects are even extremely ambitious. In Rouen, France, for example, there is hope of heating 15,000 housing units by recuperating the residual energy from a factory that produces sulphuric acid.

SHIPBUILDING: Community aid for older workers

As a crisis-hit sector, the shipbuilding industry has for the past few years become the object of priority measures adopted by the authorities of the European Community. The efforts made as a result are primarily aimed at increasing the competitiveness of this industry, notably through the diversification of its products or the reconversion of its redundant workers. During the course of 1979, the number of workers employed in the shipyards of the European Community countries for the construction of civilian ships decreased by about 22,000 persons, or close to 15 percent, in comparison with the previous year. Since 1975, the total number of workers registered a decline totaling 36 percent, from 200,000 to 129,000. And it is estimated that some 30,000 jobs are also threatened in the near future.

The assimilation of the workers laid off has been neither quick nor easy, especially in the regions experiencing a lower level of economic development. For older workers, the prospects of finding a new occupation are not particularly promising, if not impossible.

That's why most of the European countries grant aid to workers who are forced to stop working before the normal retirement age as a way of maintaining a reasonable income.

The European Commission foresees a way of also contributing to this undertaking. It has just proposed the granting, on an experimental basis, of aid destined for 2000 or 3000 workers over 55 years of age who will have to abandon their jobs in the deep-sea shipbuilding industry during the years 1980 and 1981.

This unprecedented measure expands the range of intervention mechanisms of the European Social Fund and its cost will amount to about £6 million. The textile industry has fared even worse than the shipbuilding sector in the forced adaptation to new competitive conditions. Since 1970, the loss of employment in that sector throughout the European Community numbers more than 60,000. However, the rate of the job loss has had a tendency to slow down in the past two years. This trend has been confirmed in virtually all the member states in both the textile and clothing fields and especially in Italy and Germany where the decline in the number of workers has almost stopped.

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BRIEFS

The automobile market is not saturated: - While considerable attention and pessimistic reports have been focused recently on the automobile industry in the European Community and other industrialised countries, a recent statement by the European Commission indicates that forecasts from around the world show a trend in global demand that is not so negative and that the main challenge is for Community producers to be in a good competitive situation to expand in these new markets. If the European industry now accounts for barely one-tenth of the world's production of work vehicles, it produces, on the other hand, more than one-third of the share of automobiles, ahead of both the United States and Japan.

Consumers are more optimistic: - A recent survey of consumer attitudes conducted throughout the European Community by the European Commission revealed that while consumers in May remained pessimistic concerning the future economic situation, prospects for prices, savings, household finances, they seemed less pessimistic than during the period from May 1979 to January 1980.

A standard price for telephone communications: - Efforts are not only underway at the European Community level to attempt to reduce or eliminate remaining obstacles to trade and services, the European Commission in Brussels is also examining possible ways of resolving such problems standing in the way of the free flow of words and conversation between the nine member countries. It is specifically interested in the different rates being charged by the national telephone and communications authorities to see if they don't interfere or affect trade, travel, goods, services and contacts.

"The chicken war" will probably not be fought: - There is probably little danger of an international "cook fight" or "chicken war" between the European Community and American chicken producers for growing Asian markets, according to the European Commission. The United States in 1979 exported some 66,000 tonnes of chickens and chicken portions to Japan, Hong Kong and Singapore while the Community exported over 6,000 tonnes of the same products to these countries.

"A LA CARTE" RETIREMENT
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While one worker may be forced to retire when he reaches 65 even if he would prefer to continue working, another, tired and old before his time, would like to stop working at 60. Those are just two examples among many. It is now fairly well recognised that retirement age, which has been set for some time by law and tradition, doesn't please everyone. Since there was widespread feeling that this retirement age should vary, the notion of "flexible" retirement has grown in recent years. Europe, as a result, has entered into the era of pre-retirement or early retirement.

In fact, a retirement pension is little more than insurance, but one that becomes active after work. The worker and his employer each pay a monthly premium and after a certain number of years the employee can retire with his income and livelihood assured. Social security is also a right and one of society's most embedded benefits. But this social security is complicated because it must reconcile the interests of the workers and the prevalent economic realities in each country. Each of the nine member countries of the European Community has set up a system whereby workers wishing to retire before the fateful 65-year limit can do so without seriously undermining the economic strength of the country.

The European Commission in Brussels recently turned its attention to this major problem. It wanted to draw up some guidelines for a more coherent retirement system for all the member countries of the Community. On the one hand, it wanted to grant a greater freedom of choice concerning the retirement age between 60 and 65 - which is its flexible retirement proposal. On the other, it also wanted to allow a gradual withdrawal from full-time work in a sort of organised progressive retirement.

The Commission also wanted to establish these two notions while still taking into consideration the economic conditions in the countries concerned. There really was no way of not taking the current economic crisis and the related endemic unemployment into account.

So now, the worker wanting, at age 60, to stop all his occupational activity can do so by asking for a lowering of the retirement age for him. It is now an accepted legal right in a number of European countries who see in this system the possibility of creating additional jobs and lowering unemployment. But the latter is not always the case and the

costs of financing such a system are fairly high even though it does not allow for a full 100 percent pension before 65. Also, psychologically, the worker choosing to retire early may have the impression of being excluded from the active world and may feel suddenly much older from one day to the next. Unfortunately, the process of aging is not the same for everyone. For instance a life of hard work will probably inspire one worker to want to retire at 60 while another doesn't feel finished or ready to retire even at 65. It also stands to reason that the state will probably have to make adjustments in its contribution to unemployment insurance to balance its budget accounts. But it is undeniable that this opportunity for the individual represents social progress.

Another interesting possibility for the worker is gradual retirement. The worker at 60 who still feels able and willing to work but wants to work less than full time can do so without experiencing the brutal change from full-time activity to complete idleness. He can therefore work only 35 hours per week and then 30 hours and so on, spreading his retirement over an extended period of time. Some European countries, such as the United Kingdom and France, have already embarked on this path, notably through extending periods of leave and reducing the hours worked. As far as the financial conditions are concerned, they seem to vary from company to company. So that the worker does not encounter any economic hardship as a result of his early or gradual retirement, the income gap is to be made up through an insurance policy. The most notable example of such a system exists in Sweden, which the European Commission has studied and concluded to be largely positive.

While these two systems of pension can have an impact on the unemployment situation, this effect can vary not only according to the different countries of the Community but even according to region. It is often the same types of employment which are in demand or saturated. It has also become evident that flexible or early retirement has a more direct effect on employment than gradual retirement, at least on a short-term basis.

While still taking into account the various demographic, economic, financial, sociological and psychological factors in its society, each European Community country will have to find a system that is the most appropriate for its citizens.